

FDIC State Profile

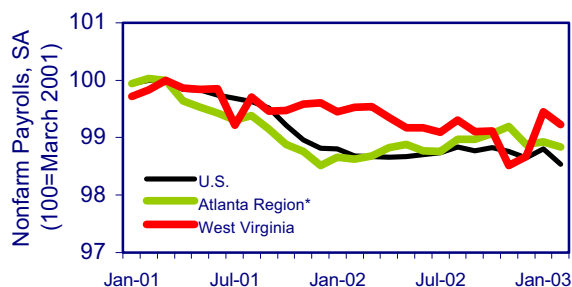
SUMMER 2003

West Virginia

Economic growth in West Virginia weakened through the end of 2002.

- Economic conditions in West Virginia deteriorated markedly toward year-end 2002, but rebounded in early 2003 (see **Chart 1**). As of February 2003, employment in the state was 0.3 percent below year-ago levels, compared with the national average decline of 0.1 percent. Weakening economic conditions in early 2003 nationwide may have further adverse implications for West Virginia.
- Labor market conditions in West Virginia reflect the state's comparatively sub-par economic performance. During the year ending February 2003, the state's unemployment rate increased 20 basis points to 5.9 percent, although the rate of deterioration appears to be slowing. However, initial unemployment claims rose during the first quarter of 2003, compared to one year ago, suggesting the employment situation has yet to stabilize.
- Losses in West Virginia's critical coal-mining industry continue with employment in the sub-sector down nearly 9 percent in fourth-quarter 2002, from 17,300 one year earlier. West Virginia's coal industry has been in a structural decline for decades. Although employment growth has occurred in other areas of the economy, offsetting the effects of mining declines in terms of lost income, its overall impact on the state's economy, particularly the adverse

Chart 1: Employment in West Virginia Has Improved But Lags Pre-recession Levels



*Atlanta Region includes AL, FL, GA, NC, SC, VA WV

Source: Bureau of Labor Statistics/Haver Analytics

implications for tax revenues, has been difficult. In 2001, the average annual wage from a coal-mining job was more than \$53,000, compared to \$24,500 and \$14,800 in the services and retail trade sectors, respectively. The mining industry likely will continue to contract in coming quarters, especially as Mountaineer Coal Development Co. in Mingo County recently announced plans to furlough 460 employees.

Community banks headquartered in West Virginia report healthy conditions, but a slight deterioration in credit quality is apparent.

- The comparatively moderate effects of the recession on the West Virginia economy may have helped the state's 60 community banks¹ continue to perform well, as measured by return on assets (ROA). During 2002, the median ROA ratio gained 10 basis points to 0.95 percent. Higher net interest income was attributable to gains from increased efficiencies and lower provision expenses. Net interest margins were also higher during the period, as the median NIM rose 14 basis points to 4.24 percent as of fourth-quarter 2002.
- Loan growth weakened slightly during 2002, rising 9 percent compared to 11 percent in 2001. Home equity loan growth was strong, but most of the activity occurred in the commercial real-estate loan segment, including construction, multifamily, and nonresidential loans. While residential comprises the majority of the loan portfolio, the CRE segment now represents 17.5 percent of assets, up from 13.5 percent three years ago. CRE loan concentrations have increased in almost all of West Virginia's community banks, but remain lower than other areas in the Region.
- Credit quality among community banks headquartered in the state appears to have weakened somewhat during fourth-quarter 2002. Total charge-offs rose slightly to 0.38 percent of total loans, up from 0.34 percent at year-end 2001. The construction and development loan portfolio showed particular deterioration, with charge-offs rising 48 basis points to 1.27 percent during 2002. Credit-card obligations also experienced higher charge-offs, likely related to the increased number of personal bankruptcy filings. While median past-due loans declined by 37 basis points during 2002, past-due CRE loans rose among the state's smallest banks (assets less than \$250 million) during the year. Continued economic deterioration towards year-end 2002 and into 2003 could adversely affect asset quality going forward.

¹ Community banks are defined as commercial banks with assets less than \$1 billion, excluding specialty institutions and thrifts.

West Virginia at a Glance

General Information	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Institutions (#)	76	79	77	89	96
Total Assets (in thousands)	20,293,696	19,069,556	18,338,726	23,923,816	24,315,454
New Institutions (# < 3 years)	3	5	5	4	5
New Institutions (# < 9 years)	10	10	8	8	8
Capital	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Tier 1 Leverage (median)	9.60	9.76	10.12	9.72	9.85
Asset Quality	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Past-Due and Nonaccrual (median %)	2.56%	3.16%	2.90%	2.56%	3.19%
Past-Due and Nonaccrual >= 5%	16	18	15	20	24
ALLL/Total Loans (median %)	1.22%	1.19%	1.13%	1.18%	1.20%
ALLL/Noncurrent Loans (median multiple)	1.31	1.40	1.32	1.36	1.20
Net Loan Losses/Loans (aggregate)	0.58%	0.58%	0.47%	0.44%	0.47%
Earnings	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Unprofitable Institutions (#)	2	10	4	5	6
Percent Unprofitable	2.63%	12.66%	5.19%	5.62%	6.25%
Return on Assets (median %)	0.92	0.81	0.91	0.96	1.03
25th Percentile	0.73	0.49	0.62	0.68	0.76
Net Interest Margin (median %)	4.21%	4.15%	4.38%	4.30%	4.43%
Yield on Earning Assets (median)	6.77%	7.67%	8.17%	7.84%	8.14%
Cost of Funding Earning Assets (median)	2.50%	3.56%	3.83%	3.48%	3.73%
Provisions to Avg. Assets (median)	0.20%	0.19%	0.18%	0.15%	0.18%
Noninterest Income to Avg. Assets (median)	0.50%	0.48%	0.48%	0.49%	0.51%
Overhead to Avg. Assets (median)	2.90%	2.96%	3.03%	2.89%	2.92%
Liquidity/Sensitivity	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Loans to Deposits (median %)	73.33%	74.85%	75.46%	71.96%	71.07%
Loans to Assets (median %)	62.35%	63.39%	64.58%	61.48%	63.09%
Brokered Deposits (# of Institutions)	8	4	4	5	9
Bro. Deps./Assets (median for above inst.)	1.07%	0.68%	1.66%	1.08%	1.44%
Noncore Funding to Assets (median)	12.64%	12.31%	12.73%	12.34%	10.76%
Core Funding to Assets (median)	76.33%	76.45%	75.56%	76.23%	77.33%
Bank Class	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
State Nonmember	34	34	33	41	42
National	21	23	23	26	30
State Member	14	15	14	15	17
S&L	1	1	1	1	1
Savings Bank	6	6	6	6	6
Mutually Insured	0	0	0	0	0
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
No MSA	54	5,851,831	71.05%	28.84%	
Wheeling WV-OH	5	4,237,497	6.58%	20.88%	
Huntington-Ashland WV-KY-OH	5	2,921,327	6.58%	14.40%	
Charleston WV	4	2,695,271	5.26%	13.28%	
Steubenville-Weirton OH-WV	3	510,495	3.95%	2.52%	
Parkersburg-Marietta WV-OH	3	3,709,163	3.95%	18.28%	
Washington DC-MD-VA-WV PMSA	2	368,112	2.63%	1.81%	